

RETURN

[67a]

To an ADDRESS of the SENATE, dated the 8th May, 1906, for a return of any recent correspondence with the Imperial Office, *re* Pacific Cable Board, and individuals, on the establishment of an improved intelligence service and a system of Empire cables.

R. W. SCOTT,
Secretary of State.

OTTAWA, May 25, 1906.

SIR,—With reference to your Minute of the 11th instant, forwarding an Address of the Senate praying for a return of recent correspondence relative to the establishment of an improved intelligence service and a system of Empire cables, I have the honour, by command of His Excellency, to forward to you the papers noted on the enclosed schedule.

I have the honour to be, Sir,

Your obedient servant,

W. H. WALKER,
For the Governor General's Secretary.

The Under Secretary of State.

RETURN

1874

The following is a list of the names of the persons who have been appointed to the various positions in the Department of the Interior, and who have been sworn in as such, during the year ending on the 31st day of December, 1874.

U. S. DEPT. OF THE INTERIOR

WASHINGTON, D. C.

COMMISSIONER OF THE LAND OFFICE

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From Lord Minto to Mr. Lyttelton.

GOVERNMENT HOUSE, OTTAWA, April 28, 1904.

SIR,—At the request of the Ottawa Board of Trade, I have the honour to forward herewith, for the consideration of His Majesty's Government, a circular letter dated the 20th instant, on the subject of Empire Cables, which the Board is communicating to the several Governments, parties to the Pacific Cable agreement,

I have, &c.,

MINTO.

The Right Honourable
Alfred Lyttelton, P.C., &c., &c., &c.

THE BOARD OF TRADE, OTTAWA, April 20, 1904.

To whom it may concern :

SIRS,—

1. The President and Council of the Ottawa Board of Trade have the honour to re-affirm the hearty approval of its members in the movement to complete the Cables of the Empire.

2. The President and Council, under instructions from the Board, beg leave to submit for consideration the explanations given in Appendix A. The facts and arguments therein brought forward will be found to appeal strongly to every man who has the well-being of the British people at heart. The deliverance of the Fifth Congress of the Chambers of Commerce of the Empire, held in Montreal in August, 1903, will be found in Appendix B. The deliberate and frequently repeated opinion of the Empire League in Canada will be found in Appendix C.

3. The President and Council invite expressions of general concurrence in this great Imperial movement; they especially ask the co-operation of every Chamber of Commerce and Board of Trade throughout the Empire. To make co-operation effective it is suggested that individual Chambers may express their views by resolution; such taken in concrete, will have a powerful influence on the several governments concerned.

4. The co-operation of other bodies or individuals will be cordially welcomed.

5. The President and Council respectfully ask that they may be informed with respect to all action taken, and that copies of resolutions may be transmitted to the President or Secretary,

In the name and by the authority of the Board of Trade of the Capital of the Dominion of Canada, we ask all concerned to assist in forming public opinion in favour of the speedy completion of the scheme of Empire Cables.

We have the honour to be,

Your obedient servants,

JOHN R. REID, *President.*CECIL BETHUNE, *Secretary.*

APPENDICES.

A—EXPLANATORY NOTE, furnished at the request of the Ottawa Board of Trade, for general information on the subject of the Empire Cables, by Sir Sandford Fleming, K.C.M.G.

B—RESOLUTION adopted by the Fifth Congress of the Chambers of Commerce of the Empire, held in Montreal, Canada, in August, 1903.

C—MINUTE adopted by the British Empire League in Canada: at the annual meeting on February 16th, 1904.

APPENDIX A.

THE EMPIRE CABLES.

Explanatory Note, furnished at the request of the Ottawa Board of Trade, by
SIR SANDFORD FLEMING, K.C.M.G.

The term 'Empire Cables' is understood to mean a system of Empire-girdling, state-owned Cable-telegraphs, established in an unbroken chain around the globe. 'The Empire Cables' are designed to connect, telegraphically, in the most complete manner, the several groups of self-governing British communities in Europe, America, Australasia, Asia and Africa.

It is held that the Empire Cables should be state-owned for the following and other reasons, viz.:

1. In order that they may be wholly removed from the control of companies, whose chief object is to make profits by maintaining as high rates as possible on messages.

2. In order that the cost of telegraphing throughout the Empire may be reduced to a minimum.

3. In order that the British people, geographically separated by the oceans, may be brought within touch by a means of intercourse as free and unrestricted as possible.

4. In order that the governments of all the self-governing British peoples within the Empire may be enabled to confer with each other at all times, with the greatest facility on matters of mutual concern.

5. In order that no portion of these great lines of communication may come under foreign influence, or be used to the detriment of British interests.

The Empire Cables are, for greater security and effectiveness, designed to be laid in deep water, and to touch, or traverse only British territory.

This new Imperial service, forming one unbroken chain around the globe, under one control, would provide a double means of telegraphing, that is to say, easterly as well as westerly, between any one British state and any other British state. By the removal of every restriction possible, it would stimulate commercial, social and political intercourse between the several parts, and tend in every way to strengthen the Empire.

This electric bond of Empire has for some time been projected. It is the outcome of the first Colonial Conference held in London in 1887, and the second, held in Ottawa in 1894. It may be described as consisting of four divisions, viz.:

1. From the United Kingdom to the Pacific, embracing a cable across the Atlantic and land lines through Canada.

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2. A cable across the Pacific from Canada to New Zealand and Australia, with land lines through Australia to the Indian Ocean.

3. A cable from Australia across the Indian Ocean to South Africa, with a branch from Cocos Island to India.

4. A cable from Cape Town to the United Kingdom via Ascension, the West Indies and Bermuda, with a branch to Canada.

The proposal to establish the first of these four divisions has for some time been before the Canadian public, and I feel warranted in saying that it is regarded with much favour. It cannot be doubted that in the event of the Canadian Government proceeding to nationalize the telegraph service between London and Vancouver it would be accepted with general satisfaction throughout the Dominion.

The second division is an established fact, having been successfully carried out under a partnership arrangement between six British Governments, viz.: the Home Government, the Canadian Government, the governments of New Zealand, New South Wales, Victoria and Queensland.

There remain divisions three and four to complete the whole series of Empire Cables. The principle of state ownership and state partnership having been adopted in respect to the Pacific, the extension of the principle to this second half of the globe-girdling system would seem to follow naturally; but obstacles are met, the character of which call for explanations, and the means of overcoming them require to be considered.

With respect to the difficulty which has been raised and the complications which have been caused, they are directly traceable to the efforts of certain companies—the owners of cables between Asia and Australia. From the first the scheme of Empire Cables has been bitterly opposed. Ever since the Colonial Conference of 1887 the proposal to establish submarine telegraphs, to be owned and controlled by the state, has met with determined opposition. The companies referred to have enjoyed a rich monopoly, they have exacted very high charges on messages and have drawn from the public enormous profits. While the source of their lucrative business is in Australasia, the headquarters of the companies are in London, and the powerful influence they have been able to exercise has been employed at every step and in every conceivable way to stifle the proposal to establish state cables.

When at length it became known that the Home Government, together with Canada, three Australian states and New Zealand, had resolved to establish the Pacific Cable, the hostile companies combined and determined to adopt drastic means in order to defeat the new state policy. They saw plainly that a state-owned cable across the Pacific would lead to similar cables traversing the Indian and Atlantic Oceans. They accordingly decided to pre-occupy the ground by laying a private cable on the route which had previously been selected in the Indian and partly in the Atlantic Oceans, for the state-owned line. Moreover, they made tempting overtures to the governments of the Australian colonies, offering to reduce the burdensome telegraph charges hitherto exacted, provided these governments granted them certain concessions; which concessions, it was afterwards discovered, would enable the combined companies to ruin the commercial outlook of the Pacific Cable, and possibly lead to the companies gaining control of that undertaking itself.

Unfortunately the then Government of New South Wales listened to the overtures and granted what the companies desired. Now the Commonwealth inherits the act of New South Wales, and the objectionable terms secured by the companies cannot be rescinded in an ordinary way.

These, in brief, are the circumstances which led to the difficulty in Australia, which has perplexed the government partners in the Pacific Cable, and caused much friction. There is a collision of interests—private on the one hand, public and Imperial on the other. The companies have command of great wealth and bent on their own aggrandisement at the expense of the general good, have adopted a bold and aggressive policy. In the event of their designs succeeding they would hold firmly in their grasp the Inter-Imperial Cables, which should all be under Imperial control.

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Every patriotic man will see the need of those great lines of communication, defined as Empire Cables, being absolutely removed from the control of companies or individuals whose highest aim is to make profit, and who, in this case would accomplish that object by levying higher taxes than necessary on the intercourse of the people. Moreover, to leave any portion of the Empire Cables in the control of companies would be to invite greater difficulty. It must not be forgotten that the property of companies is transferable to purchasers willing to pay the stock market price; and thus a company financed in London, as a British Company, may come to be controlled by foreign owners. Obviously the Cables of the Empire, unless absolutely state-owned and state-controlled, may, without attracting attention, cease to be British, and thereupon be employed in a manner detrimental to British interests.

At the last annual meeting of the British Empire League in Canada a minute was adopted, the fourth clause of which reads as follows:

The Empire Cables would actually be the great nerves of the Empire, and this League firmly holds the opinion that whatever else may remain the property of private companies or trusts, the Empire alone should own its own nervous system.

Every sane person must give his adhesion to the principle laid down by the League, that the electric nerves of that complex organism which we designate the British Empire, should be entirely removed from danger; that they should be in the sacred keeping of the state alone; that they should be allowed free play to produce and maintain a community of sympathy, and thus prove a potent factor in carrying out the destiny of the British people.

There can be no objection to private companies owning cables other than those within the circle of Empire cables. In all cases when the former intersect the latter, they would assume the position of branches, and as such they would greatly gain by the connection. The true policy for the governments will be to reduce charges on telegraph messages transmitted by the Empire Cables to the very lowest rates, resting content with no higher revenue than may be required simply to make the service self-supporting. If this policy be adopted two results will assuredly follow: (1) The volume of telegraph business developed by the globe-encircling system will become enormous; (2) The charge for transmission will eventually be reduced to a point far lower than the dreams of the most sanguine. Both results will benefit the private companies owning the connecting lines, as the low rates on the Imperial trunk system will bring a continuous stream of profitable telegraphic traffic to the branch lines for dissemination.

The subject of the Empire Cables was considered by the Fifth Congress of the Chambers of Commerce of the Empire at the Montreal meeting last August. The action taken by that united body was most significant. This Parliament of representative commercial men from all parts of the British world, pledged itself to the project as a new cohesive force—an electric bond of union—an indispensable factor in Imperial unity. The resolution, unanimously adopted, declares that the scheme of Empire Cables would put an end to the difficulty which has been caused by the allied cable companies in Australia, and remove all friction which has arisen between the six governments concerned as partners in the Pacific Cable.

What course should then be followed? It has always been recognized that the owners of the private cables are entitled to reasonable consideration. Thirty years ago their enterprise in laying the pioneer cables to Australia was commendable. They received generous government assistance for many years. They exacted and obtained rich returns from the public. Their venture has proved exceedingly profitable, and as they have been gathering a yearly harvest it is scarcely surprising that they are unwilling to relinquish the rich monopoly they have long held. I have said they are entitled to due consideration, but the well-being of the whole British people must be considered. If it has become a matter of public expediency that the circle of Empire Cables should be completed, the companies cannot forever stand in the way. They have long been hostile. Shall they continue antagonistic to the public interests and refuse to recognize the public needs? The remedy is simple; it is found in the inherent right possessed by the state to subordinate private to public interests and exercise the powers

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of 'Eminent Domain.' By this well known legal principle the private cables necessary to complete the system of Empire Cables, such as that recently laid from South Africa to Western Australia, may be expropriated, just compensation being paid to the present owners. Owing to the attitude assumed by the companies this is perhaps the best course open, although it is not the only course: the alternative is to lay a new cable parallel to the existing private cable for the use of the State and for the public advantage.

In submitting these explanations to the Ottawa Board of Trade, by request of the President, I may be allowed to express my gratification that the subject of Empire Cables is now being considered by business men, and that at the Congress of the Chambers of Commerce of the Empire in Montreal, those present were a unit in respect to it. On this point I cannot do better than refer to the resolution adopted (appended). We all know what business men can do. Their intuitive perception leads them to see clearly. Their business habits and training induce them to deal with a subject in a business-like way, and in consequence the action taken by organized bodies of commercial men has more weight and commands more influence than that of any other class. It will be remembered that it was the Chamber of Commerce of the United Kingdom which commenced and successfully completed the movement for nationalizing the telegraph system of the Mother Country. And quite recently the Ottawa Board learned from Sir Thomas Barclay, of Paris, how the way was paved for the Treaty of Arbitration between France and Great Britain. That gentleman, in his address to the Board, explained that it was, in a very large measure, owing to the co-operation of the great mass of the *Chambres de Commerce de France* and the Chambers of Commerce of England, Ireland and Scotland, that the Treaty was made possible and the ground cleared for the heads of these two great European powers concluding an international agreement promotive of the peace of the world.

So likewise in the present movement, if associations of business men in any portion of the Empire follow the example of the Montreal Congress and give expression to their views, it will have a powerful influence on the respective governments. Co-operation of this character cannot fail to be effective; it will certainly tend to produce a community of sympathy in a matter which concerns the British people in all quarters of the globe.

APPENDIX B.

RESOLUTION ADOPTED BY THE FIFTH CONGRESS OF THE CHAMBER OF COMMERCE OF THE EMPIRE, HELD IN MONTREAL, CANADA, IN AUGUST, 1903.

That in the opinion of this Congress all the self-governing British communities around the globe should be united by a continuous chain of state-owned telegraphs. That such an Inter-Imperial line of communication would, under government control, put an end to the difficulty which has been caused in Australia by the allied cable companies, and remove all friction which has arisen between the partners in the Pacific Cable; That it would lower charges to a minimum on over-sea messages passing between New Zealand, Australia, India, South Africa, the West Indies, Newfoundland, Canada and the Mother Country; That it would provide a double means of communication at low, uniform rates between the Mother Country, or any one British State, and all self-governing British States; That it would constitute the most effective means by which the several governmental units of the Empire may hold communion with each other whenever they desire, and that while it would be of the highest importance to the commercial and social interests of the British people around the world, it would, by the subtle force of electricity, at once promote the consolidation of the Empire and prove an indispensable factor in Imperial unity.

APPENDIX C.

MINUTE ADOPTED BY THE BRITISH EMPIRE LEAGUE IN CANADA, AT THE ANNUAL MEETING HELD IN OTTAWA ON FEBRUARY 16TH, 1904.

1. This League has, from the first, strongly favored the Empire Cable scheme, a scheme which has been designed to promote, in a direct and practical manner, the primary object of the League, as expressed in the constitution, that is to say, the permanent unity of the Empire.

2. By the 'Empire Cables' is understood a continuous chain of cable telegraphs around the globe, touching only British possessions, and connecting Newfoundland, Canada, New Zealand, Australia, India, South Africa and the West Indies directly with each other and with the Mother Country.

3. The great heart of the Empire is in the United Kingdom, and the League recognizes that by means of the Empire Cables every throb may instantly be felt in each self-governing British community the world over.

4. The Empire Cables would actually be the great nerves of the Empire, and this League firmly holds the opinion, that whatever else may remain the property of private companies or trusts, the Empire alone should own its own nervous system.

5. Fully one-fifth of the estimated population of the world is British, and while the British islands on the margin of Europe cover a small part, the Empire embraces nearly one-fifth of the globe's total land surface. If we take the superficial area of the United Kingdom as a unit of measurement for the purpose of reckoning, we find that the British flag floats over one hundred and one such units on the several continents in nearly the following remarkable proportions :

In Europe—British land surface, one unit.

In Asia—British land surface, ten units.

In Africa—British land surface, twenty units.

In Australasia—British land surface, thirty units.

In America—British land surface, thirty units.

6. The design of the Empire Cable scheme is simply to unite these five continental groups of British units by State-controlled cables, laid for greater security in deep water.

7. The scheme originally involved the crossing of the three great oceans of the globe by submerged cables. This League has the satisfaction of knowing that substantial progress has been made, that one of the oceans has been crossed by a State-owned cable, that the trans-Pacific cable is laid and in successful operation from the shores of Canada to the shores of New Zealand and Australia. There remain to be traversed by national cables, the Atlantic and the Indian Oceans.

This League is more and more convinced that this great Imperial project is of inestimable importance to the trade, to the social, and to the political relations of the whole British people, and that the common interests of every part of the Empire demand, with ever increasing urgency, that the whole Empire Cable scheme should speedily be accomplished.

From Lord Grey to Mr. Lyttelton.

GOVERNMENT HOUSE, OTTAWA, February 28, 1905.

SIR,—I have the honour to forward to you a letter I have received from the Secretary of the Board of Trade of the City of Ottawa, covering a report of their Council on the subject of Empire Cables.

I know that you will warmly appreciate and heartily sympathise with the Imperial spirit which has caused the Board of Trade of the City of Ottawa to do such excellent spade work in the field of Constructive Imperialism.

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I also inclose a letter from Sir Sandford Fleming, which explains, in an informal manner, that the Ottawa Board of Trade was inspired by the proceedings of the Colonial Conferences of 1887 and 1894 to take the action which is the subject of this communication, and which it is hoped will lead in the new future to some definite result.

I cannot inclose this informal letter from Sir Sandford Fleming without giving expression to my admiration for the splendid zeal with which he has worked for the establishment of an 'all red' system to unite the entire Empire by lines under Government control. It is owing to his forethought, business capacity, self-sacrifice, and devotion to every movement which endeavours to safeguard and promote the interests of the British Empire that Ottawa has been able, through its Board of Trade, to give the lead in an attempt to create and organize the opinion of the Empire in favour of a new Imperial service, which, when established, cannot fail to add strength to the Empire and to advance the well-being of the subjects of the King.

I have, &c.,

(Signed) GREY.

The Right Honourable

ALFRED LYTTELTON, P.C., &c., &c., &c.

THE BOARD OF TRADE OF THE CITY OF OTTAWA,

OTTAWA, January 20, 1905.

To His Excellency

The Right Honourable Earl GREY,

Governor General of Canada.

YOUR EXCELLENCY,—Agreeably to resolutions passed at the recent annual meeting of the Ottawa Board of Trade, I have the honour to submit the report of the Council on the 'Cables of the Empire.' I have respectfully to request that Your Excellency will cause the same to be transmitted for the information of the Home Government and Parliament.

For some years back the members of the Ottawa Board of Trade have placed themselves in communication with commercial men and trade associations in all the over-sea British dominions, and have taken means to obtain their views on the subject of cable and telegraph connections.

These inquiries have been continued since 1901, when the Ottawa Board first opened correspondence with centres of British Trade and Commerce in distant parts of the world. In that year, preliminary communications containing useful information were widely circulated in New Zealand, South Africa, Australia, the East and West Indies and the United Kingdom. These communications had reference to the most effective means of fostering trade, stimulating commercial activity and creating an electric bond of unity between the separated portions of the Empire. Last year another circular letter was issued by the Board as a corollary to the former. In the latter the Board pointed out that the scheme which had been designated 'The Empire Cables' possessed many advantages that it promises to be the easiest obtained, and when obtained would provide the cheapest, the speediest and the freest means of intercourse between all the King's Governments and people throughout His vast Dominions.

The documents last issued and circulated by the Ottawa Board of Trade have found their way to many centres of political and commercial influence in both hemispheres. Many replies have been received, the substance of which the Board feels should be made known to the several Governments and Parliaments.

The replies are embodied in the accompanying report; they establish beyond all doubt that the British communities throughout the world desire the closest electrical connections, freed from the heavy exactions which private companies impose. They

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fully endorse the 'Empire Cable' scheme; they confirm the view held by commercial men generally that it will prove to be the most effective common bond between all the self-governing British dominions.

I have, etc.,

(Signed) CECIL BETHUNE,

Secretary.

Circular letter No. 3.

THE EMPIRE CABLES.

REPORT OF THE COUNCIL OF THE BOARD OF TRADE OF THE CITY OF OTTAWA.

Agreeably to the direction of the Board, the President and Council on April 20th of last year, issued a circular letter re-affirming the hearty approval and concurrence of the members of the Ottawa Board of Trade, in the movement to complete the Cables of the Empire. The President and Council sent the circular letter to various organized bodies representing British trade interests in all parts of the world. The communication forwarded contained full and complete explanations respecting the proposed system of Imperial Telegraphy, designed to bring into the closest possible touch all the self-governing British possessions in each of the five continents.

The Council invited an expression of opinion respecting the movement in order that a judgment might be formed as to the views of the British people generally, and especially those engaged in trade throughout the world. Many replies have been received and with singular unanimity all expressions of opinion are in favour of the movement.

In order that the Imperial and Colonial Governments should be made aware of the character of the movement, communications were addressed to each of them. Courteous acknowledgments have been received through His Excellency the Governor General and the Secretary of State for the Colonies, from their most Gracious Majesties the King and Queen, and from their Royal Highnesses the Prince and Princess of Wales, and the Duke of Connaught.

Special mention may likewise be made of other acknowledgments, namely:—

'The Government of Madras, India, transmits sympathetic expressions of opinion in favour of the proposal, from the Chamber of Commerce, Madras, and from the Madras Trade Association.'

'The Bengal Chamber of Commerce, Calcutta, is entirely in sympathy with the idea of an all British cable communication throughout the Empire.'

'The Upper India Chamber of Commerce, Cawnpore, cordially supports the scheme and offers its co-operation in the movement designed to serve great Imperial ends, secure cheaper telegraphy, and promote trade.'

'The Rangoon Trade Association is quite in accord with the Ottawa Board of Trade and expresses the opinion that the Empire Cables would meet a great want, and be the means of materially reducing telegraphic rates.'

'The Government of Burmah sympathizes with the object the Board has in view in connecting all parts of the British Empire by means of State owned cables.'

'The Chamber of Commerce, Singapore, fully recognizes the great importance of the proposal to complete the cables of the Empire, and will consider how they can assist the movement.'

'The Orange River Chamber of Commerce, Bloemfontein, entirely approves of the scheme and would be glad to see it carried into effect.'

'The Chamber of Commerce of the City of Georgetown, Demarara, views with satisfaction any advance that can be made towards Empire Cables, and Imperial Postal Cable Services, and will be glad to see the speedy accomplishment of an unbroken chain around the Globe, under our own control and entirely State owned, giving all British

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people the speediest, cheapest, freest and most effective intercourse throughout the Empire.'

'The Trinidad Chamber of Commerce is in hearty sympathy with the efforts of the Ottawa Board of Trade to extend and complete a system of British cables throughout the Empire under State control.'

'The Conference of Queensland Chambers of Commerce holds the opinion that the Empire system of cables touching British territory only, controlled and owned by the State, should receive the support of the Federal Government. This Conference gives its hearty support to the resolution adopted by the Montreal Congress of the Chambers of Commerce of the Empire.'

'The Bundaberg Chamber of Commerce places on record its entire approval of the movement for the extension and completion of the system of Empire Cables (of which the Pacific Cable forms a part), believing that thereby the cost of cable messages will be materially reduced, that the business relations between the different parts of the Empire will be greatly facilitated, and that in the event of war such a system would be invaluable.'

'The Brisbane Chamber of Commerce strongly holds that the Empire system of cables, touching British territory only, controlled and owned by the State, should receive the support of the Federal Government of Australia, and gives its support to the resolution adopted by the Montreal Congress of Chambers of Commerce of the Empire.'

'The Rockhampton Chamber of Commerce is of the opinion that it is of the utmost importance to the trade and to the social and political relations of the British Empire that the various States comprising the Empire should be in communication with each other and the United Kingdom by State owned electric telegraphy. This Chamber heartily approves of the action taken by the Ottawa Board of Trade to further the movement.'

'The Toowoomba Chambers of Commerce expresses hearty concurrence in the movement advocated by the Ottawa Board of Trade.'

'The Warrnambool Chamber of Commerce strongly endorses the resolution of the Montreal Congress of the Chambers of Commerce of the Empire as to the imperative need of the Empire Cables.'

'The British Empire League of Australia at a meeting in Sydney, on September 22nd, 1904, gave formal expression to the opinion that all the self-governing British communities around the Globe should be united by a continuous chain of State owned telegraphs; that such an Inter-Imperial line of communication would, under Government control, put an end to the difficulty which has been caused in Australia by the allied cable companies, and remove all friction which has arisen between the partners in the Pacific Cable; that it would lower the charges to a minimum on oversea messages passing from New Zealand, Australia, India, South Africa, the West Indies, Newfoundland, Canada and the mother country; that it would provide a double means of communication at low uniform rates between the mother country or any one British State, and all self governing British States; that it would constitute the most effective means by which the several governmental units of the Empire may hold communion with each other whenever they desire; and that while it would be of the highest importance to the commercial and social interests of the British people around the world, it would by the subtle force of electricity at once promote the consolidation of the Empire, and prove an indispensable factor in Imperial unity; that this League views with satisfaction the steps towards this end being taken by the Board of Trade of the City of Ottawa, and the British Empire League in Canada, and assures those bodies of this league's co-operation and its doing whatever may be possible to further the movement in Australia.'

'New Zealand is in full sympathy with the movement, and there is abundant evidence of the hearty reception given to the proposal. It will suffice to state that the circular letter issued by the Ottawa Board of Trade with the several explanatory appendices have been reprinted in full and presented to both houses of the General Assembly by command of His Excellency the Governor General.'

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The most satisfactory, sympathetic and encouraging communications have been received from Chambers of Commerce and manufacturers in the United Kingdom. Special mention may be made in responses from Liverpool, Nottingham, Wolverton, Walsall and district, Bradford, Heckmondwike, Leeds, Bury, London, Glasgow, Edinburgh, Dublin, Cleckheaton, Batley, the south of Scotland, Galashills, Kirkealdy, East London, Belfast and Birmingham.

That every centre of the United Kingdom should warmly support the movement to complete a close electric union between the British people throughout the world is not surprising, when we bear in mind that they were so well represented at the Montreal Congress of 1903, and that such Congress passed with absolute unanimity the most comprehensive resolution on the subject yet placed on record.

It is scarcely necessary to state that there is no difference of opinion in Canada. The centres of Trade and Chambers of Commerce throughout the Dominion have practically declared themselves in favour of the project set forth in the circular letter of the Ottawa Board of Trade of April 20th last.

A copy of the circular letter is appended. Nearly a thousand copies were issued. The responses from every quarter of the Globe are singularly favourable to the movement: not a single adverse reply has been received; no argument has been advanced against the public policy of completing without loss of time the comprehensive scheme known as the Empire Cables.

The President and Council, having endeavoured faithfully to carry out the instructions of the Board in this matter, have much pleasure in placing the gratifying results of their efforts before the general meeting.

Signed on behalf of the Council of the Board.

JOHN R. REID, *President.*

CECIL BETHUNE, *Secretary.*

From Sir Sandford Fleming to Lord Grey.

WINTERHOLME, OTTAWA, January 28, 1905.

DEAR LORD GREY,—The Ottawa Board of Trade is sending you a communication on the Cables of the Empire, not only for your own information, but also in the hope that you will be good enough to cause it to be transmitted to London for the information of the Home government and parliament.

I trust that I am not taking too great a liberty in adding a few explanations in this informal manner. The extremely kind sympathy that you have already evinced in connection with my poor efforts to serve the public and advance the common interests of the Empire encourage me to think that you will forgive me.

The subject dealt with by the Ottawa Board of Trade is an outcome of the Colonial Conferences of 1887 and 1894, possibly in its latest development it may have no small influence on future conferences and specially on the Cable Conference to be held in May next. It must at least be recognized to have a direct bearing on the building up of the 20th Century Empire.

Admitting the work of Imperial consolidation to be a many sided problem, obviously the proposal to construct the electric nervous system of the Imperial organism is on the practical side. I have long regarded it as an ideal work which might worthily be pursued by those who like myself have devoted their lives to practical purposes. I submitted my views at both Colonial Conferences and more recently, when they were more matured, I embodied them in a letter to Mr. Chamberlain, made public in 1898 (reproduced in Johnson's 'Annals and aims of the Pacific Cable,' page 468). Since

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1898 the task has been to educate the public and this public duty has been steadily followed in the face of much apparent indifference and in some quarters much genuine hostility. At length, as the Ottawa Board of Trade points out, it has borne fruit. Business men widely separated geographically around the British world have with striking unanimity spoken out, and no more favourable testimony could be desired. The time has now come, it is believed, when it is possible for the movement to advance in an accelerated ratio. Holding this view the Ottawa Board of Trade, supported generally by all similar associations, now appeals to governments and parliaments. The monthly mail leaving to-day for Australia and New Zealand bears such appeals. The Canadian government is being communicated with and it is confidently hoped that the Home Government will be informed. There remains South Africa, but as yet we are at a loss to know how to proceed most effectively in that quarter. It is of high importance to gain the sympathetic support and co-operation of South Africa and care must be taken to go the right way about it.

But I must not unduly lengthen these explanations, I have said enough to indicate that we are much in earnest in the practical sphere of constructive Imperialism. The evidence is indisputable that on the one hand there is peril to the Empire to leave matters as they are and allow them to drift; on the other hand that the free development of the great union of the British states would be immensely promoted by establishing the circle of globe girdling cables under state control.

Again asking you to kindly pardon the great liberty I am now taking,

Believe me, etc.,

(Sgd.) SANDFORD FLEMING.

No. 3.

From Lord Grey to Rt. Hon. A. Lyttelton.

GOVERNMENT HOUSE, OTTAWA, March 22, 1905.

SIR,—With reference to my despatch No. 69 of the 28th ultimo. I have the honour at the request of the Ottawa Board of Trade, to forward for transmission to their destinations copies of a further letter on the subject of Empire Cables intended for Their Majesties the King and Queen, Their Royal Highnesses the Prince and Princess of Wales and His Royal Highness the Duke of Connaught.

I inclose also twenty-five additional copies of this letter for the information of His Majesty's Government.

I have, &c.,
(Signed) GREY.

The Right Honourable
ALFRED LYTTELTON, P.C., &c., &c., &c.

From Lord Grey to Lord Elgin.

GOVERNMENT HOUSE, OTTAWA, February 12, 1906.

MY LORD,—I have the honour to forward to you at the request of Sir Wilfrid Laurier, inclosed letter from Sir Sandford Fleming, and to express the hope that you may see fit to pass it on to the Pacific Cable Board for their examination and report.

I have, &c.,
(Signed) GREY.

The Right Honourable
THE EARL OF ELGIN, K.G., &c., &c., &c.

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From Lord Grey to Lord Elgin.

GOVERNMENT HOUSE, OTTAWA, March 14, 1906.

MY LORD,—With reference to my despatch No. 57 of the 12th ultimo, I have the honour to inclose printed copies of Sir Sandford Fleming's letter to Your Lordship, transmitted with that despatch.

I have, &c.,

(Signed) GREY.

The Right Honourable

The EARL OF ELGIN, K.G., &c., &c., &c.

(The letter referred to is printed at p. 5, supra.)

DOWNING STREET, March 26, 1906.

MY LORD,—I have the honour to transmit to you to be laid before your Ministers, with reference to your despatch No. 57 of the 12th ultimo, the papers noted in the subjoined schedule.

I have, &c.,

ELGIN.

The Office Administering
the Government of Canada.

Date.	From.	To.	Subject.
March 21.	Pacific Cable Board	Colonial Office . .	Establishment of 'Empire Cables.'

QUEEN ANNE'S CHAMBERS, S. W., March 21, 1906.

SIR,—I am directed by the Pacific Cable Board to acknowledge the receipt of your letter (6711, 1906) of the 8th instant forwarding, for any observations which the Board may have to offer, a communication and inclosures (herewith returned) from Sir Sandford Fleming advocating the establishment of a continuous chain of State Cables uniting all the self-governing British Colonies.

2. In reply, I am directed to state, for the information of the Secretary of State for the Colonies, that the question of the establishment of such a chain of Cables as suggested in Sir Sandford Fleming's letter of January 26th, does not appear to be one upon which it is within the Board's province to express an opinion; but rather a matter for the consideration of the Governments concerned in it.

3. With regard to the figures used by Sir Sandford Fleming in support of the arguments brought forward in his article upon 'State Cables and Cheap Telegraphy' in the 'Empire Review' for August, 1905, I am directed by the Pacific Cable Board to make the following observations:—

(a) Sir Sandford Fleming's estimate of the carrying capacity of the Pacific Cable appears to be based on the assumption that the speed attainable by a specially selected operator working in one direction for sixty seconds can be maintained by the whole of the Board's Staff working continuously in both directions day and night throughout the week. The experience of Cable Administrations does not support this assumption.

(b) As the actual Eastward traffic is nearly 50% higher than the Westward, it follows that, if the Cable was filled to its utmost capacity in one direction, it could not be filled to the same extent in the other direction.

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(c) Taking into account the necessary transmission of unpaid traffic which amounts to about 30% of the whole, the Board's existing Staff could not satisfactorily handle more than 30,000 paying words per week (some 50% more than the maximum at present carried in ordinary circumstances) and, consequently, such a traffic as that suggested in Sir Sandford Fleming's article would involve very large additions to the Staff, and a further capital expenditure upon buildings for their accommodation.

(d) The 4d. or 10d. tariffs deduced by Sir Sandford Fleming from premises which the Board are thus unable to accept, are, moreover, misleading when compared with the through rate between the United Kingdom and Australia, inasmuch as they do not include the Australian terminal rate of 5d. or the Atlantic and Canadian charge of 1s. for transmission and 1d. (approximately) for 'date and time.'

(e) With respect to the suggested transmission of 10,000 or 12,000 words for simultaneous publication in the chief centres of the Empire, I am to state that it seems unnecessary to deal with a proposal for the gratuitous transmission of a mass of business over a costly cable.

I am, &c.,

(Signed) HUGH LATHAM,

Secretary.

The Under Secretary of State for the Colonies,
Colonial Office, S. W.

From Lord Elgin to Lord Grey.

DOWNING STREET, April 10, 1906.

MY LORD,—With reference to my despatch No. 471 of the 22nd December last, I have the honour to transmit to you to be laid before your Ministers, the accompanying copy of a letter from the Eastern Extension Australasia and China Telegraph Company, Limited, forwarding two letters recently addressed by the Company to the Australian Government in regard to the conditional ratification by the Commonwealth Parliament of the Agreement of the 8th June, 1903, between the Commonwealth Government and the Company.

2. A copy is also inclosed of a letter on the subject from the Pacific Cable Board.

I have, &c.,

(Signed) ELGIN.

THE EASTERN EXTENSION AUSTRALASIA AND CHINA TELEGRAPH COMPANY, LIMITED,
ELECTRA HOUSE, MORGATE, LONDON, E.C., March 24, 1906.

SIR,—I am instructed by my Board of Directors to transmit to you, for the information of His Majesty's Government, the inclosed copies of two letters which my Company recently addressed to the Australian Federal Government in reference to the Commonwealth's telegraphic communications.

I have, &c.,

(Signed) F. E. HESSE,

General Manager.

The Under Secretary of State,
Colonial Office.

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THE EASTERN EXTENSION AUSTRALASIA AND CHINA TELEGRAPH COMPANY, LIMITED,
ELECTRA HOUSE, FINSBURY PAVEMENT, LONDON, S.W., Feb. 23, 1906.

SIR,—I have the honour to inform you that the letter which you addressed to the Company's Manager in Australia on the 19th December last in reference to the conditional ratification by the Federal Parliament of the Agreement made between the Commonwealth Government and the Company dated 8th June, 1903, was duly forwarded by Mr. Warren to London, and that its contents, together with the official report of the Parliamentary proceedings in connection therewith have received my Board's very careful consideration.

In reply I am directed to point out that in requiring the Company to enter into an Agreement embodying the Senate's amendment, it is proposed to seriously alter the existing position.

To the first part of the amendment, viz.:—‘This Agreement shall be in substitution for the two Agreements and the provisional arrangement mentioned in the fourth recital to this Agreement’ my Board could not have any possible objection, seeing that it merely makes clear the intention of the contracting parties as expressed in the sixth recital of the Federal Agreement.

The latter part of the amendment however, viz.:—‘This Agreement shall expire on the 31st day of December, 1915,’ would substantially alter the Agreement by determining it at the end of 1915 instead of it being left to continue after 1915 unless then terminated by two years' notice. The original document implied a continuing Agreement unless at the expiration of ten years it were determined by formal notice, whereas the amended Agreement would be an avowedly temporary provision for a limited period. In fact, it puts an end in definite terms to the Company's position in all the Capitals of Australia in 1915, and decides the question against the Company now instead of waiting, as was intended, for the results of the experience of ten years' direct dealing with the public. These alterations completely change the situation contemplated by the parties to the agreement when it was drafted in 1903.

In considering this difference in the situation, it is to be remembered that when negotiating the Agreement the Company stipulated that it should continue for at least twenty years, and at one time the negotiations were nearly broken off on this point. Eventually, however, the Company agreed to the Government having the power to terminate the Agreement by two years' notice after 1913 on the representation that the Government could not legally enter into an agreement for any longer period, and that the power of determination was not likely to be exercised so long as the Company continued to give satisfaction to the telegraphing public.

The amendment is not only contrary both to the letter and spirit of the Federal Agreement, but is also in marked contrast with the assurances given to the Company in 1899 before the Pacific cable was laid.

During the debates in the Senate on the Federal Agreement adverse comments were made with regard to the Company and the Government of New South Wales for entering into an Agreement similar to that previously made with the Governments of South Africa, Western Australia and Tasmania. It should, however, be borne in mind that the Agreements in question were exceedingly advantageous to all the contracting States, and that the terms were not only carefully considered by all the Postmasters-General concerned before they were adopted, but involved the Company and the Eastern Company in spending roundly £1,700,000 in providing additional cables to Australia. At the same time the Eastern Company spent a further large sum of money in strengthening their connections with these new cables. It should always be remembered that the Government of New South Wales before entering into the Agreement were not only convinced of the policy, but specially consulted Mr. Secretary Chamberlain, and, before signing, obtained his approval of the arrangement.

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After having shown its desire to meet the wishes of the Commonwealth Government by entering into the Federal Agreement so as to extend to Victoria and Queensland the advantages enjoyed by the other Australian States, the Company naturally expected to receive equitable treatment from the Australian and British Governments, but, thus far, my Board regret that this expectation has not been realized.

Every effort has been made to divert traffic from the Company's cables and the policy of so doing is avowed and upheld. For instance, ever since the opening of the Pacific Cable all unrouted traffic between Australia and Great Britain handed in at Government offices in both countries has been given to the Pacific Cable for transmission, although the Company with its four cables landed in Australia, as against the single line of the Pacific Cable, has greater facilities for dealing with the traffic than its competitors, and notwithstanding it being the practice of the British Telegraph Department in regard to unrouted traffic to other countries to fairly divide it, in the interests of the telegraphic public, between its own cables and the cables of its competitors. The Company has vainly protested against the present action of the Australian and Home Governments towards a great enterprise like ours with respect to unrouted traffic, but its grievances remain unredressed.

Another instance is the refusal by the Government Offices in the Australian Capitals where the Company has a public office of its own to accept telegrams marked 'via Eastern,' in accordance with the system prevailing in this country and with the regulations of the International Telegraph Convention. The Company, nearly two years ago, obtained and communicated to your Department the opinion of an eminent Australian Counsel that the government by refusing to accept such messages were acting illegally, but, nevertheless the practice continues.

The above illustrations combined with other circumstances, make it still more plain to my Board than previously that under present conditions the Company should, for its own protection, and in the interests of the public, be in direct communication with its Australian customers.

In connection with these subjects it should be borne in mind that it is the Company's cables that provide Australia with direct telegraphic communication with South Africa, India, China, Japan and other parts of the Far East, and also provide against the consequences of the single Pacific Cable becoming interrupted.

On the grounds above indicated, I am directed to express my Board's sincere regret that they do not feel justified in accepting the Senate's amendment, and must therefore very respectfully decline to execute the proposed new Agreement. I am also to state that my Board are advised that as the Agreement of the 8th June, 1903, has not been affirmed in manner required by Article 24 thereof it has now ceased to exist.

In conclusion I am to assure you that whilst unable in justice to their shareholders to accept the Senate's amendment, my Board wish it to be clearly understood :—

- (1) That they are desirous of working with your Department in the most amicable manner ;
- (2) That they are firmly of opinion that an arrangement could be made which while preserving the independence and autonomy of the Pacific Cable route, would produce marked financial and other advantages to all the Governments interested in the enterprise.

I have, etc.,

(Sd) F. E. HESSE,
General Manager.

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THE EASTERN EXTENSION AUSTRALASIA AND CHINA TELEGRAPH COMPANY, LIMITED,
ELECTRA HOUSE, FINSBURY PAVEMENT,
LONDON, E.C., February 23, 1906.

SIR,—I have the honour to draw your attention to the letter which the Eastern Extension Telegraph Company is forwarding by this mail to the Postmaster General's Department expressing the company's inability, for the reasons therein stated, to accept the Senate's amendment to the agreement between the Commonwealth government and the company on June 8, 1903.

I can assure you that before arriving at this decision my board gave the matter the most careful consideration, and sincerely regret that no other course appeared open to them in all the circumstances of the case; they trust, nevertheless, that their inability to concur in the views of your government will not in any way impair the friendly relations which have so long subsisted between the Australian government and the company.

By the terms of the Postmaster General's letter of March 12, 1903, I recognize that the government are now at liberty to terminate the tentative arrangement by which the company has direct dealings with the public in Melbourne and the use of a special wire on the government line between that city and Adelaide, and I am fully aware that your government have been frequently urged to withdraw these facilities and to assist the Pacific Cable Board in competing with the Company more actively than heretofore.

I would, however, venture to suggest that apart from any loss which the closing of the company's public offices in Melbourne and the withdrawal of the special wire might entail upon the company, a graver loss would be inflicted upon the commercial community of Melbourne and, putting aside for the moment the interest of the company, may I venture to consider this matter from a purely Australian point of view.

One justification for my doing so is that as pioneers the company linked up Australia and the outer world by its cables at great risk to the capital involved, and that ever since as owners of a great British-Australian enterprise the company has been and is, profoundly interested in Australia's prosperity and commercial development.

I would ask, then, can it be an advantage for Australian commerce that the Melbourne offices should be closed? These offices and the special wire were provided with the concurrence of the government in order to strengthen and improve the telegraphic service between Melbourne and the British Empire, and to put Melbourne in the same position as Sydney and the other capitals by ensuring that any errors and delays due to the handling of messages by different Administrations should be as much as possible eliminated. It is universally admitted as a result that there has been marked improvement in the service, and that the average speed of transmission between Melbourne and all parts of the world has been greatly accelerated.

If then these desired objects and advantages have been obtained, what is the ground on which the requisite facilities are to be withdrawn? Is it in order that by some hoped for deterioration of the company's service the telegraphing public which has now two routes at its disposal should be more or less compelled in future to use only one, viz.: the Pacific, and the present competition in efficiency be enfeebled or destroyed? If this be the aim, I would with all respect point out, that in itself, such a result cannot be for the advantage of Melbourne.

Possibly the Commonwealth government may reply, 'However this may be, we are financially interested in the Pacific Cable. It is losing us £30,000 a year! For the sake of our finance we are bound to cripple the Company as much as possible and close its Melbourne offices, in order to endeavour to get more business for the Pacific Cable and so reduce our loss?'

Dealing with that position, and again merely from the Australian standpoint, is it not possible to arrive at a reasonable solution? The object of Australia in engaging in the Pacific Cable enterprise was evidently twofold. First, Australia at that date was

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served by only one cable system. She wanted another, and two separate systems now exist. Secondly, Australia considered that the rates charged were too high. She now enjoys lower rates, rates indeed so low that both systems are suffering severely.

So far, then, Australia appears to have obtained all that she really wanted. It can scarcely be within her real aims and needs to close the Melbourne offices, and, as not obscurely hinted during the debates in the Senate, perhaps at a later date to exclude us from the other great cities altogether. By so doing Australia would, as I have stated, defeat her primary object of obtaining alternative services, and lose the advantages and guarantees afforded by the Company's extensive cable system. Consequently, I venture to say that the question which has assumed such large proportions for Australia is one properly and strictly limited to the problem of how to reduce her loss of £30,000 a year from the Pacific Cable?

Two methods have been suggested for attaining this object. First, that of withdrawing the special wire and closing the Melbourne offices, and entering into more active competition than ever with the Company. But, as already stated, this would be clearly detrimental to the vast commercial interests of Victoria, and, the further expenditure involved in the opening by the Pacific Cable Board of their own public offices and in canvassing on a larger scale might, after all, while injuring the Company, not prove remunerative to the Pacific Cable Board.

Another course still remains, but all that I can now venture to say about it is that it should not be beyond the resourcefulness of the Federal Government and the Company, in consultation, to devise some scheme, honourable and satisfactory to all parties which would diminish and perhaps in due time extinguish the financial loss now accruing to Australia from the Pacific Cable, and at the same time guarantee the Pacific Cable enterprise against the results of possible interruption.

In this connection may I be permitted to refer to the statement reported to have been made by the Minister of Defence in the Senate on the 6th December last in regard to the pooling arrangement which has been proposed between the Pacific Cable Board and the Company, that:

'The Eastern Extension Telegraph Company said they would not entertain the proposal except for a period of 30 years or more, and then only on the distinct understanding that at the end of the term all the State Agreements into which they had entered—the agreements made with South Australia, Western Australia, Tasmania and New South Wales—should be revived.'

I would respectfully point out that if the Minister be correctly reported, he must have been misinformed as to the negotiations, seeing that what the Company required was that the arrangement should, in the absence of other conditions, continue for the reasonable period of 30 years, but when 30 years was objected to and only 10 years were offered, the Company stipulated that in that case the agreements with South Australia, Western Australia, Tasmania and New South Wales should be revived at the end of the 10 years, unless the pooling arrangements were renewed.

In conclusion, I would venture to suggest that a conference should take place between representatives of the Commonwealth and the Company with a view to endeavouring to arrive at a satisfactory solution of this complex and difficult question.

I have, &c.,

(Signed) J. WOLFE BARRY,
Chairman.

The RT. HON. ALFRED DEAKIN,
Prime Minister and Minister for External Affairs,
Commonwealth of Australia.

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THE PACIFIC CABLE BOARD.

QUEEN ANNE'S CHAMBERS, S.W., April 3, 1906.

SIR,—I am directed by the Pacific Cable Board to state, for the information of the Secretary of State for the Colonies, that, having regard to Reuter's telegram of the 26th ultimo, to the effect that the Eastern Extension Company had informed the Commonwealth authorities it did not propose to accept the cable agreement with that Government as amended by the Senate, the Board, at a special Meeting held yesterday resolved to despatch forthwith the following telegram to the Postmaster-General, Melbourne:—

“Pacific Cable Board at special Meeting to-day understood that Eastern has refused to accept Commonwealth Agreement; wishes to know whether Eastern is now prevented from accepting telegrams at their Melbourne Offices, and whether all privileges State of Victoria are withdrawn from Company, if not, on what date will both those things be done. See Board's letter November 1905, Q. 2,234.”

I am, etc.,

(Sd.) HUGH LATHAM,
Secretary.

The Under Secretary of State for the Colonies.

From Lord Elyin to Lord Grey.

DOWNING STREET, April 10, 1906.

MY LORD,—I have the honour to acknowledge the receipt of, and to thank your Lordship for, your despatch No. 93 of the 14th ultimo transmitting printed copies of the letter addressed to me by Sir Sandford Fleming on the 26th January last advocating the establishment of a system of Imperial State owned telegraph cables connecting all the self-governing British possessions, as a means of creating an Imperial Intelligence Service.

2. In my despatch of the 26th ultimo, I communicated to Your Lordship the observations of the Pacific Cable Board on Sir Sandford Fleming's proposals. •

I have, etc.,

(Sd.) ELGIN.

OTTAWA, April 27, 1906.

The Right Honourable,
SIR WILFRID LAURIER,
Prime Minister, Canada,

SIR,—I have to day been favoured with a copy of a despatch received by your Government from the Colonial Office dated March 26, 1906, inclosing remarks by the Pacific Cable Board on my letter of January 26, 1906, on the subject of an Imperial Intelligence Service and the establishment of a great circle of Empire Cables.

The matter being of much public importance, I lose no time in replying to the criticisms of the Cable Board.

The Board expresses no opinion adverse to the proposals set forth in my letter to the Right Honourable the Earl of Elgin, of date January 26. The Board, however, objects to a statement I made last year in an article appended to my letter on State Cables and cheap Telegraphy as aids to Imperial consolidation. The Board takes exception to the carrying capacity of the Pacific Cable as stated by me in the article referred to. I can only say in reply that the statement was based on returns furnished by the Cable Board itself and laid before Parliament. I did not in the least call in question the accuracy of their returns and I do not now doubt their accuracy. I am

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satisfied that the evidence furnished in the article referred to is ample to prove that with the globe-girdling chain of Empire Cables established, it would be possible greatly to reduce the cost of all over-sea telegraphy, within the range or influence of these cables.

The Board animadverts on the proposal to utilize the cable during its idle hours, seemingly under the impression that such would overwork the staff and would render necessary the employment of additional operators. The Board may rest assured that the deductions made and given to the public last year by me in the article referred to were not presented without previous consultation with some of the first electrical and cable authorities in England, and I have no reason now to think that they are in any way astray. I would remind the Board that if in operating the Pacific Cable they have found the eastward traffic nearly fifty per cent higher than the westward traffic, the condition will be entirely changed by the establishment of the circle of Empire Cables. One of the great merits claimed for the proposal is that on the completion of the Imperial globe girdling system of cable telegraph, messages will be free to pass in either direction with equal ease, so that under the new condition any irregularity of traffic through any cause will adjust itself.

I would venture also to remind the Board that the public has been led to believe that there is a full staff engaged on the Pacific Cable of the very best men of their class; and that each station is manned by relays of operators so as to obviate any possible delay in the transmission of messages night or day. If that be the case, it is perfectly clear that with the present inconsiderable traffic both cable and operators must be absolutely idle during much of each twenty-four hours. This condition of inactivity does not benefit the cable, it is of no advantage to the operators and it is not productive of a good service. All experience goes to show that good men would rather work than wait, and the best service is, in general, a continuous service. The proposal would not of necessity overwork any of the staff but it would reduce the period of enforced idleness. As I stated in my letter to Lord Elgin (Jan. 26,) I am firm in the conviction that without any addition to the working expenses, the state cable service 'would be at liberty during a number of hours every day in the year to transmit regularly the free press messages desired to be exchanged by the Imperial Intelligence Department.'

It is conceivable, indeed it is quite probable, that the proposed Imperial Intelligence Service would eventually prove so successful as to call for the employment of additional operators, but the cost involved would be the merest bagatelle compared with the resulting benefits to the British people and the whole Empire.

I fear I am unable to comprehend the concluding paragraph of the letter under review. It is impossible for me to think that any single member of the Board would not greatly prefer having the 'costly cable' usefully employed as a potent means of welding the Empire together, than to have it continued as now, for the greater part of the time in actual disuse.

I have, etc.

(Sd.) SANDFORD FLEMING.

Governor General, His Excellency,
The Right Honourable
EARL GREY, G.C.M.G., &c., &c., &c.

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OTTAWA, May 8, 1906.

Your Excellency,—I have the honour to receive a copy of Despatch No. 181, April 10, 1906, from the Secretary of State for the Colonies to your Excellency. It refers to two letters, each dated February 23, 1906, from officers of the Eastern Extension Australasian and China Telegraph Company, Limited, viz. :—

1.—From the General Manager, F. E. Hesse, and

2.—From the Chairman, Sir John Wolfe Barry.

Agreeably to Your Excellency's request, I have the honour to express my views on these letters, with such explanation as may seem necessary.

Both letters have reference to the conditional ratification by the Commonwealth Parliament of the agreement of June 8, 1903, between the Commonwealth Government and the Telegraph Company.

The agreement mentioned was made subject to the approval of the Parliament of the Commonwealth. The Senate after discussing the Agreement at several sittings finally adjourned the ratification on September 8, 1903, with the object of securing that the whole matter should first be discussed at a Conference between representatives of the Governments who are partners in the Pacific Cable. The Conference assembled in London last summer and the minute of proceedings gives a full account of the discussions, with a report and recommendations of the Conference. The agreement of June 8, 1903, is appended thereto.

The report and recommendations of the Conference having been laid before the Commonwealth Parliament and discussed, Parliament conditionally ratified the said agreement of June 8, 1903. The Telegraph Company has, however, declined to accept the agreement as ratified by Parliament and the said agreement is now at an end.

The letter of the Manager of the Company is an argument on behalf of the Company in favour of the agreement without the conditions imposed by Parliament, but as such an agreement has ceased to exist it does not appear that any useful purpose would be served by discussing it further than has already been done at the Cable conference at London last year.

The letter of Sir John Wolfe Barrie is an appeal in favour of some scheme, notably a pooling arrangement which would best suit the interests of the Company of which he is Chairman. On this point, and especially with reference to a pooling arrangement, I cannot do better than submit for the information of Your Excellency my report on the Pacific Cable Conference of 1905, addressed to the Right Honourable the Prime Minister of New Zealand, August 31, 1905, (copy appended), approved in every particular by the New Zealand Government *vide* letter January 16, 1906.

Since the last mentioned date I have had occasion to consider matters connected with the Pacific Cable and have submitted the conclusions reached by me in a letter to the Right Honourable the Earl of Elgin dated January 26, 1906. The subject matter of this communication being the establishment of a system of Imperial State-owned Telegraph Cables connecting all the self-governing British Provinces as a means of creating an Imperial Intelligence Service. Incidentally the proposal includes the nationalization of certain cables of the Eastern Extension Telegraph Company and carried into effect would, I feel convinced, remove all sources of friction with the Company and prove to be a perfect and permanent solution of the problem presented in Australasia.

I have the honour to be,

Your Excellency's obedient servant,

SANDFORD FLEMING.

His Excellency,

The Governor General, Canada.

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Copy.

ON BOARD SS. 'VIRGINIAN,' LIVERPOOL TO CANADA, August 31, 1905.

SIR,—I have the honour as the representative of your Government at the Cable Conference recently held in London, to submit the following report:—

Agreeably to your wishes I left Ottawa to proceed to England on May 8, 1905, and reached London on May 19. I lost no time in reporting my arrival to the Secretary of State for the Colonies, and shortly afterwards I learned that the Conference would meet on June 21 at the Colonial Office. I engaged myself during the intervening weeks in acquiring such statistical and other information respecting the working of the Pacific Cable and matters bearing thereon, as might prove useful in the discussions of the Conference.

The opening of the Conference was deferred from June 21 to June 22. Meetings were thereafter held until the final meeting on July 28. There were in all six regular meetings, the minutes of the proceedings of which were recorded by a stenographer and printed. These meetings were held on the following dates:—

The first day on Thursday, June 22, 1905.

The second day on Friday, June 30, 1905.

The third day on Wednesday, July 12, 1905.

The fourth day on Monday, July 17, 1905.

The fifth day on Friday, July 21, 1905.

The sixth day on Friday, July 28, 1905.

A number of informal meetings were from time to time held at which no stenographer was present and the proceedings of which were not placed on record.

I beg leave to refer to the proceedings of the regular meetings, in which all that was said by those present, and all action taken is placed on record. Much to my regret I have been unable sooner to obtain a copy to transmit to you.

An examination of the proceedings will satisfy you that the aim of the Conference has been to accommodate the differences which have arisen, and arrive at a settlement which would be generally satisfactory to the respective Governments.

In the performance of my own duties as your representative I am under many obligations to the High Commissioner for New Zealand in London.

On the first day of the Conference it was suggested that some arrangement might possibly be arrived at in the nature of a pooling arrangement between the Pacific Cable Board and the Eastern Extension Telegraph Company. Aware of the views held by your Government I could not see my way to assent to this proposal, and I deemed it advisable to begin the discussion by placing before the conference certain facts as to the share of the whole Telegraph traffic which should be regarded as obtainable by the Pacific Cable under ordinary circumstances, and also the volume of traffic actually obtained under the exceptional circumstances created by the granting of certain concessions to the Company by one of the partners, the State of New South Wales, and subsequently by the Government of the Commonwealth of Australia. I pointed out that the action taken by these Governments had been much more detrimental to the financial interests of the Pacific Cable than they probably knew, and that if they were made aware of the fact that the loss of traffic to the State line amounted to £25,000, or £30,000 a year, these Governments would probably much desire in some way to have the matter rectified. The remainder of the first day was occupied in discussions respecting the agreements made by these Governments, and the diversion of traffic from the Pacific Cable caused thereby.

On the second day, the agreement of January 16, 1901, between New South Wales and the E. E. Company was discussed. As under this agreement the concessions granted the Company have proved the chief cause of the whole difficulty, I ventured to point out the possibility of removing the cause of difficulty and doing full justice to all concerned. The Commonwealth agreement of June 8, 1903, was likewise considered at some length.

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On the third day the Commonwealth agreement was again considered and various suggestions submitted.

On the fourth day the future policy to be adopted by the Pacific Cable Board was considered. Explanations by the Manager and Chairman were heard. A pooling arrangement was again proposed and again objected to. A division of traffic was suggested as a solution. The Conference agreed that the Chairman of the Cable Board should open negotiations with the E. E. Company and I was selected to accompany him when he would meet the Chairman, Sir John Wolfe Barrie.

The matter of Australian terminal charges was considered on the fifth day and the Commonwealth Government invited to make a reduction. The Conference further considered a proposed modification of agreement between the Commonwealth and the Company. An amicable arrangement respecting the fair division of traffic was favourably considered; and failing to obtain such an arrangement it was agreed that the Pacific Cable Board should forthwith take steps to secure the largest possible amount of Australian traffic by all legitimate methods of business competition.

On the sixth day the policy favoured at the previous meeting was reconsidered, and the proposal to enter into a pooling arrangement again revived. To this end negotiations with the Company were referred to, when I explained that the conversation between the two chairmen, Sir Spencer Walpole and Sir John Wolfe Barrie was chiefly on the subject of a pooling arrangement in which I declined to take any part for the reason that the Government of New Zealand was entirely opposed to pooling. On this point I would refer to the proceedings on the sixth day and I append an extract from a portion of what I said which appears on page 63. In making the statement it seemed to me that we had reached a critical stage in the history of the Pacific Cable, when by a single step we might 'make or mar' the high Imperial purposes which the undertaking was designed to serve. I saw plainly, that to enter into the pooling partnership proposed we would endanger and probably destroy the Pacific Cable as the prime means of securing for the whole British people in both hemispheres cheap Ocean Telegraphy. Such a pooling partnership as that contemplated would practically transfer the control of the State undertaking to those who had always been its great opponents. The true solution of the difficulties which had arisen, in my judgment, lay in another direction, in a mutual agreement respecting a fair division of traffic between the two Cable Systems. Such an agreement would be to the advantage of both parties in competing for business. The principle of dividing the traffic in fixed proportions mutually arranged, would be a very simple matter to carry into practice, and there would be no difficulty whatever in adjusting accounts. At the end of each year as soon as the volume of traffic by both systems could be ascertained, it would merely be required that one party should pay over to the other the money value of traffic obtained in excess of the agreed proportion. After further discussion bearing on a proposal to embrace a pooling arrangement in negotiating with the Company, to which proposal I was unable to give my support, the Report of the Conference of July 28, 1905, was at length adopted and the Cable Board was authorized to ascertain if the Company would be willing to enter into a friendly arrangement in accord therewith, and with the views expressed in the discussions, the terms of the arrangement being subject to the approval of the several Governments. In the event of negotiations making no satisfactory progress in about a month, the Conference decided that the Board should no longer delay taking energetic steps to secure the largest possible amount of Australian traffic by all legitimate methods of business competition.

For particulars I beg leave to refer to the report of the Conference and the printed minutes of the proceedings both of which accompany this. Owing to delay in receiving from the Colonial Office copies of these documents I have been unable to report until the last moment before I return to Canada. Should I find that any point of importance has escaped my notice I may ask you to receive a supplementary report from Ottawa.

The RIGHT HONOURABLE R. J. SEDDON,
Prime Minister of New Zealand.

I have the honour to be, sir,
Your obedient servant,

SANDFORD FLEMING.

SESSIONAL PAPER No. 67a

EXTRACT FROM THE PROCEEDINGS OF THE PACIFIC CABLE CONFERENCE. PAGE 63.

APPENDED TO LETTER AUGUST 31, 1905, TO PREMIER OF NEW ZEALAND.

SIR SANDFORD FLEMING—To my mind there is a vast difference between a friendly understanding or stipulation respecting the division of the traffic, and a pooling arrangement, and I shall enter into this more fully when we come to the draft report. What is a pooling arrangement? Of course, it must depend upon the terms of the agreement between the parties. But is not a pooling arrangement in reality a partnership arrangement, and, are we quite sure that a partnership in this particular instance is desirable in the public interest? I am afraid, indeed I am quite sure, it is not. I believe I am not far wrong when I say that it has long been the design of the Companies to gain control of the Pacific Cable. What did Sir William Mulock point out the other day? He referred to elements at work to destroy the Pacific Cable scheme and the great Imperial purposes which moved the six Governments to have it established. I am satisfied a pooling arrangement would prove the narrow end of the wedge, which the Company in its own good time would most certainly drive home. It would end, I fear, in control passing from Queen Anne's Chambers to Electra House. I am speaking very plainly, but I feel forced to do it, and I feel it a duty to appeal in the strongest manner that I can against a step, at this turning point, which would result in disaster to the public interests. I trust the Conference will not enter into, or authorize the Board to enter into any pooling arrangement.

